

By Mr. Woodsworth:

Q. Mr. Chairman, there are a few questions I would like to ask. Under the Finance Act, what classes of securities are usually deposited?—A. You will have to ask the Treasury Board that. I know what securities may be deposited, but you will have to ask the Treasury what are deposited. We have not borrowed, but we keep securities put up so that we could draw, as a matter of protection, and we put up Dominion of Canada Government Bonds.

Q. You do not know what check there is on the value of such securities?—

Q. What determines the rate?—A. The Treasury Board.

Q. Perhaps we had better get that from the Treasury Board?—A. Yes.

Q. In the case of advances, what interest is paid?—A. To the Treasury Board?

Q. Yes.—A. Three and three-quarters per cent at present.

Q. That varies?—A. It has varied from five per cent to three and three-quarters, in my recollection.

Q. What determines the rate?—A. The Treasury Board.

Q. Are you aware what makes the variation in the rate from time to time?—A. I have never been at the Treasury Board, and I have never asked for the variations.

Q. What would be the effect of the variation in the rate?—A. It should make credit easier, if it goes down, or more difficult if it goes up.

Q. Is that an effective control over credit?—A. It could be; Mr. Woodsworth. But, under the circumstances there has not been that nature or that kind of control required in Canada.

Q. You think it would be possible to make that rate of discount an effective control?—A. Absolutely.

Q. In the advances which are made, in what denominations are the notes issued?—A. As I say, we have never borrowed, but I know they are not issued in denominations of less than a thousand, and probably \$50,000, to a greater extent.

Q. Are there no smaller issues than that?—A. Not unless there is change required.

Q. Those issues do not go actually into circulation?—A. No. May I go on to say, Mr. Woodsworth, as to that: they enable the banks to circulate their own notes by placing those in the central gold reserve. The smaller reach circulation.

Q. You were speaking about note issue privileges, and you said the note issues were backed by gold?—A. The Dominion note issues?

Q. Yes, to what extent?—A. It is about 50 per cent, or 52; or more than that, 57 I think.

Q. Of what practical value is that?—A. A sense of security. It is a real security and it gives confidence.

Q. It is largely psychological?—A. No, it has got to be there, or the sense of security would not be there.

Q. What proportion of loans is given as a matter of fact in bank notes?—A. I do not think anybody could answer that question, Mr. Woodsworth. I cannot.

Q. I ask it because you say, in referring to the necessity of a branch banking system, that it would be impossible for a local bank to give adequate facilities if it were not connected with other and larger banks?—A. I would say that in the branches of that character, 50 per cent at least of the loans to the farmers are handed out in notes.

Q. Is there any record of that?—A. No; I am going by my experience in those branches.

[Mr. Albert E. Phipps.]